

**MINUTES OF THE SPECIAL MEETING  
ILLINOIS GAMING BOARD  
NOVEMBER 30, 1999  
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

A Special Meeting of the Illinois Gaming Board ("Board") was held on November 30, 1999, in the auditorium on the fifth floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board members were present, Robert F. Vickrey, Chairman, and members Gregory Jones, Joseph Lamendella, Stuart Levine and Staci Yandle.

Also in attendance were: Administrator Sergio E. Acosta, Special Counsel to the Board Robert F. Casey, Deputy Administrators Joseph Haughey, Allan McDonald, Roger Shiels, and Thomas Swoik, Chief Legal Counsel Mareile' Cusack and other members of the staff.

The meeting was convened at 9:30 a.m. Member Levine **moved that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1) and (4) of the Open Meetings Act to discuss the following subject matters:**

- 1. Issues concerning applicants and licensees; and**
- 2. Personnel**

Member Lamendella seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 3:33 p.m.

Public Commentary

Anita Bedell, Executive Director of Illinois Church Action on Alcohol Problems, stated that she was advised that Floyd Hannon a former Indiana Gaming Commission investigator who worked on the application of Horseshoe Gaming, left the Commission in May 1999 to join Horseshoe. She stated that this was being investigated in Indiana. Ms. Bedell quoted phrases from a book called "Temples of Chance" and made statements to the Board based on this book. Ms. Bedell recommended that the Board wait for the results from the Louisiana investigation before considering the acquisition.

Ms. Bedell also commented on the Harrah's acquisition of Players Island Casino in Metropolis. She referenced information taken from newspaper articles about an investigation of Players International, Inc. and its former employees in regards to a federal racketeering and extortion case against former Governor of Louisiana Edwin Edwards. Ms. Bedell asked the Board not to take action on the acquisition until the pending lawsuit contesting the constitutionality of SB1017 is settled.

#### Owner Licensee Items

HARRAH'S CASINO JOLIET – John Janicik and George Loveland, representing Harrah's Entertainment, requested initial consideration of the planned acquisition of Players International Inc. ("PII") by Harrah's Entertainment. Mr. Loveland stated that the merger transaction was announced in mid-August 1999 and that the transaction will be all cash (\$8.50 per share). The total value of the transaction is approximately \$423 million which includes the assumption by Harrah's of approximately \$150 million of PII debt; a credit facility and other cash that Harrah's has on hand will finance the transaction.

Mr. Loveland stated that no changes will be made to the actual operation in Metropolis in terms of personnel and the property will be re-flagged as either Harrah's or Showboat. He stated that certain conditions must be met before the merger takes place. A hearing is scheduled for 10:00 a.m. on December 1 in Baton Rouge, LA at which certain matters will become public. Mr. Loveland stated that the parties are attempting to resolve the matter without further hearing or litigation.

Chairman Vickrey asked if the December 1 meeting is a regularly scheduled meeting of the Louisiana Gaming Control Commission (the "Commission"). Mr. Loveland stated that it was a hearing scheduled by the Commission subsequent to the report that was issued by the Special Assistant Attorney General in August 1999 regarding certain activities that occurred in Louisiana relative to the Players license in Lake Charles. Mr. Loveland stated that he understands that Player's attorney and state representatives have attempted to resolve whatever differences exist between the two parties. He further stated that one of the requirements of the merger agreement is that Players maintain its licenses in Louisiana and other areas. If Players loses its license, it gives Harrah's reason to terminate the transaction.

Chairman Vickrey stated that when SB1017 was signed into law it eliminated the prohibition against an entity owning more than ten percent of two licenses in Illinois. He asked what Harrah's intends to do if the current law is found to be unconstitutional. Mr. Loveland stated that his view is that the law is constitutional and that the law should be followed. If the law is found to be unconstitutional, legislators could amend or change the flawed parts of the law.

Member Yandle stated that Mr. Loveland answered the question as to what the legislature could do, she asked what Harrah's will do. Mr. Loveland stated that he could not say at this point what Harrah's would do.

Member Lamendella pressed for an answer and asked if Harrah's has given any consideration as to what it would do if SB1017 was found to be unconstitutional. Mr. Loveland stated that he has not taken part in conversations pertaining to what Harrah's would do. Mr. Lamendella asked Harrah's to provide a written answer to staff.

Administrator Acosta asked if there was a threshold at which the acquisition could fall apart. Mr. Loveland stated that once the matter is resolved in Louisiana, the merger agreement provides that Harrah's be allowed to examine the result and in good faith determine whether or not the result constitutes a material adverse effect on the Lake Charles business. If it does, Harrah's can terminate the transaction.

Michael Ficaro, representing SIRCC, as a matter of clarification stated that at no time has it ever been alleged that any fraud or misconduct took place in relation to the acquisition of Players licenses in Louisiana. He stated that no misconduct of SIRCC has ever been alleged in relation to the activities in Louisiana. Mr. Ficaro stated that PII received a letter from the U.S. Attorney who conducted the investigation resulting in indictments. The letter stated that neither PII, the company, nor any of its employees were subjects or targets of the investigation. He further stated that since the activity has come to a head in Louisiana, the Board of PII has completely changed. The employees who were peripherally or substantially involved in Louisiana in the conduct which is the subject of the investigation are no longer a part of the company.

EMPRESS CASINO JOLIET – Anton Valukas, representing Horseshoe Gaming Holding Corporation ("Horseshoe"), requested final action to acquire Empress Casino Corporation ("Empress").

Mr. Valukas responded to comments made in the presentation by Ms. Bedell in connection with proceedings that took place at the Indiana Gaming Commission (the "Commission") meeting where a presenter (Mr. Yaeger) cited passages from a novel called "Temples of Chance." Mr. Valukas stated that the presentation that was made at today's meeting did not include everything that was said at the Indiana meeting. One of the Indiana Board members stated to Mr. Yaeger, "Having received your statements about the brother and the father and the reference to the book, I see nothing here which relates directly to Mr. Binion other than rumor and innuendo." According to Mr. Valukas, the Commission member called the presenter back up and asked the presenter if there is anything that he could tell the Commission specifically other than rumor and innuendo that would directly stick on Jack Binion. The presenter responded no. Mr. Valukas

stressed to the Board that repeating rumor and innuendo does not make it true, correct, or a basis for making a decision.

Chairman Vickrey asked Mr. Valukas to describe for the Board, any regulatory complaints filed against Horseshoe in the state of Louisiana -- to state when the complaints were filed, what the allegations were and how the complaints were resolved.

Mr. Valukas stated that there was a complaint involving a CTR violation which was dismissed. Mr. Binion stated that Horseshoe has paid several fines but that there is no serious allegations against Horseshoe Gaming. The fines were for violations such as underage gaming, CTR violation and a couple of regulatory procedural matters.

Member Yandle asked if there have been past CTR violations. Mr. Binion stated that there were some CTR violations. The company had a problem the first six months it was open. Mr. Binion stated that Horseshoe hired some additional staff and now has the best record since that time both in Louisiana and Mississippi. In response to Chairman Vickrey, Mr. Binion stated that Horseshoe will institute a training program in Illinois regarding CTR adherence.

Member Yandle asked a series of questions regarding Horseshoe's proposal to develop an "incubator" program and provide \$6 million to fund the creation of minority businesses to serve the gaming industry. She asked for more details about the program.

Mr. Binion stated that finding minority providers of food and beverages has been an industry wide problem. Starting up this type of company is capital intensive. He introduced Rich Holland, Executive Vice President of Utendahl Capital Partners in New York, to respond to Member Yandle.

Mr. Holland stated that Mr. Binion requested that he, as well as others, take a look at procurement of food & beverages at the Horseshoe facilities in Bossier City and in Mississippi to determine how creating some minority businesses of significance would serve those facilities and the gaming industry at large. Mr. Holland stated that Mr. Binion wanted to create a program with a meaningful impact that would have minority participation, minority ownership, as well as adding value through the distribution of food, beverages and other goods and services to the various casinos. The strategy was to target a key business having a disproportionate amount of minority ownership -- a minimum of 65 percent ownership by minority partners. Mr. Lacy Johnson, outside legal counsel for Horseshoe, stated that Mr. Binion has initially agreed to fund the purchase of Beasley Foods outside of the incubator program. The incubator program is an additional \$6 million of seed capital.

Member Yandle asked if Beasley Foods will service the casinos in Indiana and Illinois. Mr. Johnson responded yes and also added it will service Mississippi. In response to Member Yandle, Mr. Johnson stated that Beasley Foods is based in Bloomington, Indiana.

Chairman Vickrey asked if the group has looked for any minority businesses in Illinois. Mr. Johnson stated that the incubator program is there to help establish and/or locate those businesses.

Member Yandle asked Mr. Johnson to further elaborate on the incubator program and its operations. Mr. Johnson stated that the incubator program is a corporation that was established with an initial deposit of \$2 million in a bank. In December 2000 and December 2001, \$2 million will be deposited (each year) for a total of \$6 million. The initial board members are: Andy Astrachan, President; Lacy Johnson, Chairman; John Utendahl, Secretary; and, Karen Lloyd, Treasurer. The money is there to provide capital for the establishment of minority and female owned businesses.

Member Yandle asked for additional information about an entity called Newco. Mr. Johnson stated that it is a corporation created to purchase Beasley Foods.

Chairman Vickrey asked if the monies distributed will be in the form of grants? Mr. Johnson responded yes.

Member Yandle asked if Horseshoe is prepared to make a commitment in the State of Illinois along the same lines as was outlined in its good faith plan. Mr. Binion responded yes.

Chairman Vickrey asked how Horseshoe will identify these minority and female business enterprises in and around Illinois to service the Illinois casino. Mr. Johnson stated that Horseshoe will source the businesses through minority business development associations, the Department of Commerce, community groups, and local chamber of commerce.

Chairman Vickrey asked if Horseshoe is willing to commit someone at the officer level to take on the duties of reporting its findings to the incubator's board as well as the Gaming Board. Mr. Binion responded yes. He stated that in Louisiana, Horseshoe employs a Vice President of Government Affairs to oversee its programs as part of his duties. This person also has two full-time employees that work with him. Mr. Binion stated that he would duplicate this position in Illinois.

Chairman Vickrey stated that in a certified transcript on October 14, 1999, Mr. Sklarsky made the following statement: "Jack is committed and has already told the Mayor of

Joliet that if this transaction is approved he will move his headquarters to Joliet and he is in the process of identifying space where he can do that ... probably means about 50 employees.” Chairman Vickrey asked Mr. Binion to address the issue. Mr. Binion stated that his headquarters will relocate to Joliet and that the offices have been identified at the current Empress site.

In response to Chairman Vickrey, Mr. Binion stated that approximately 15 to 20 Horseshoe executives are relocating to the State of Illinois. Robert Wagner, Property Officer for Horseshoe, explained that Horseshoe has 25 to 28 corporate staff located around the country -- not all of these employees will relocate. He stated that with Horseshoe’s corporate staff and the people currently working in Illinois the combined workforce will be about 50 to 52 people.

Chairman Vickrey asked about Horseshoe’s proposed \$100 million capital investment project (the “project”) and Mr. Binion’s anticipated time frame for completing the project. Mr. Binion stated that once the current lawsuit contesting the constitutionality of SB1017 is adjudicated, it would probably take 15 to 18 months to complete the project which will cost in excess of \$100 million. Joe Canfora, President of Empress, stated that he has been working on plans the last six months with Horseshoe representatives to expand the current facilities in Joliet. He stated that Empress/Horseshoe is proposing a dockside environment with additional restaurant space, banquet space and hotel rooms. He further stated that the joint goal is to expand the market in the local and drive-in areas. Mr. Canfora stated that the company is also looking at an outdoor amphitheater and talking with the City of Joliet about building a conference center.

Member Yandle asked about the agreement Horseshoe entered into to purchase the limited partnership interests of August Robin and Cassandra and Wendell Piper. She noted that the agreement specified that Mr. Robin and the Pipers were to each receive \$6 million for their respective shares. Member Yandle asked Mr. Binion to explain the same fee being paid for a 3 percent interest as was paid for 5.8 percent interest, respectively. Mr. Binion stated that Mr. Robin also had options in Horseshoe’s Mississippi property which accounted for the figures being the same. Member Yandle then asked whether the option agreements were required to be disclosed to the Mississippi Gaming Commission. Mr. Binion stated that it needed to be disclosed and was disclosed.

Administrator Acosta stated that Horseshoe indicated in a submission to the Board, that last year Horseshoe did approximately \$15 million worth of business with female owned vendors. The Administrator asked if that was non-broker female owned. Mr. Valukas responded yes. Messrs. Valukas and Binion further stated that the \$15 million did not include Pier Distributing which was later found out to not be a qualified minority vendor. Mr. Sklarsky gave an overview of Horseshoe’s internal investigation into Pier

Distributing. He stated that when the investigation was complete, Horseshoe turned its results over immediately to the State of Louisiana and filed corrected reports.

Administrator Acosta asked who the initial investors will be in Newco besides John Utendahl (of New York). Mr. Johnson responded: Andy Astrachan of California, William Mays of Indiana, Rosemary Bayt of Indiana, Patricia Johnson as well as himself.

Administrator Acosta asked if there are any plans in place in terms of the incubator program and getting money into some of the other existing minority firms already operating in Illinois. He asked if there is a commitment where Horseshoe has agreed to purchase services or to contract with any of those businesses that might receive some of the funding. Mr. Johnson responded yes. As part of the incubator program Horseshoe would first supply the seed capital and then contract to do business with the company.

Member Levine moved that **the Board approve the transactions as set forth in the Agreement and Plan of Merger, as amended. In approving Horseshoe's acquisition of Empress Entertainment the Board requires the following:**

- 1. The completion of the investigation and approval of all key persons of Horseshoe;**
- 2. Horseshoe shall adhere to commitments made to this Board regarding its continued commitment to minority and female employment and the utilization of minority business and female business enterprises;**
- 3. Horseshoe shall adhere to its commitments to establish Horseshoe's world headquarters in Will County, employ fifty new hires in its world headquarters operation and provide capital improvements of \$100 million in the Joliet Casino operations. The \$100 million shall be exclusive of the headquarters.**

**Further I move that the Board approve the pledging of all the assets and capital stock of Empress Casino Joliet as provided under the \$375 million credit agreement with Canadian Imperial Bank of Commerce and a consortium of other banks.**

**Finally, I move that pursuant to its authority under Section 5 of the Illinois Riverboat Gambling Act, the Board delegate to the Administrator the authority to approve the transition plan related to Horseshoe's acquisition of Empress Entertainment.**

Martin Nussbaum of Swidler, Berlin, Shereff, Friedman, LLP, corporate counsel to Horseshoe brought up a technical matter regarding the structure of the two subsidiaries.

After a brief discussion all parties agreed that the motion would approve the transaction as set forth in the Agreement and Plan of Merger.

Member Yandle seconded the motion. The Chairman called for a roll call vote. The Board approved the motion 3 to 1. (Lamendella nay; Levine aye; Jones abstained; Yandle aye; Vickrey aye).

There being no further business to come before the Board, Member Levine moved **that the Board stand adjourned**. Member Lamendella seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 5:20 p.m.

Respectfully submitted,

Monica L. Thomas  
Secretary to the Board